



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: October 27, 2009

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Fiscal Year 2009 General Fund Final Balancing And Adjustments

RECOMMENDATION:

That Council approve the adjustments to the Fiscal Year 2009 budget as shown in the Summary of Proposed Budget Adjustments in connection with the final balancing of Fiscal Year 2009.

DISCUSSION:

On August 25, 2009, staff presented to the City Council preliminary year-end revenues and expenditures for Fiscal Year 2009 for the General Fund. At that time, staff estimated the General Fund would end the year with a shortfall (expenditures over revenues) of approximately \$2.4 million.

Since then, the accounting records have been finalized and the City's independent auditors have completed their field work, and final numbers are now known. As shown in Attachment 2, Summary of General Fund Revenues and Expenditures for the fiscal year that ended June 30, 2009, expenditures exceeded revenues by \$2,591,693. This year-end shortfall is the result of significant revenue declines that began in September 2008.

As part of the mid-year review, staff projected revenues to be under budget by approximately \$6.3 million, and as a result Council approved a strategy to address the projected shortfall. Unfortunately, revenues continued to deteriorate during the second half of the year beyond staff projections, resulting in the additional shortfalls.

To avoid the use of General Fund reserves, in August staff outlined other options that could be considered to close the shortfall and avoid using additional General Fund reserves. The main options discussed with City Council at that time are listed below.

1. *Self-Insurance Fund Reserves* – Over the last several years, as a result of an improved safety record and fewer employee injuries, workers' compensation claims have gone down. In addition, the actuarially required reserves that are calculated by an independent actuary for outstanding claims have been lowered. As a result, actual reserve balances projected as of June 30, 2009 attributable to

the General Fund is approximately \$3.1 million and is available to help close the General Fund Fiscal Year 2009 shortfall.

2. *Street Sweeping Fund Reserves* – The Street Sweeping Fund was created approximately five years ago to fund the residential street sweeping program. The program is funded primarily from parking citations for vehicles parked in the marked no-parking areas on sweeping days. Over the years, revenues from parking citations have exceeded the program costs, in particular during the initial years as the program was expanding to more residential neighborhoods. As of June 30, 2009, the Street Sweeping Fund had approximately \$300,000 of reserves available over amounts required as an operating reserve.
3. *City Hall Allocation Fund Reserves* – This Fund is used to centrally account for utility and maintenance costs for City Hall and the Public Works/Community Development Department offices on 630 Garden Street. The fund currently has accumulated approximately \$450,000 to replace the City Hall telephone switch, which is expected to need replacement in approximately 5 years.

Staff recommends the following approach to balance the General Fund:

City Hall Allocation Fund Reserves	\$ 200,000
Street Sweeping Fund Reserves	200,000
Workers' Compensation Fund Reserves	<u>2,191,693</u>
Totals	<u>\$ 2,591,693</u>

Other Adjustments

In addition to closing the General Fund year-end shortfall, expenditures in the Police Department were in excess of appropriations by \$222,459, which requires an adjustment to eliminate this departmental deficit. The overage was primarily the result of over-hiring sworn officers to maintain staffing levels. Police Department revenues ended the year above budget by \$149,798, which could be used to fund a portion of the expenditure overage.

Therefore, staff recommends City Council increase budgeted revenue in the Police Department by \$149,798 and allocate \$72,661 from General Fund appropriated reserves in the Non-Departmental Program to fund the total \$222,459 needed in additional appropriations in the Police Department for Fiscal Year 2009. Appropriated reserves of \$700,000 were established in connection with the adoption of the Fiscal Year 2009 budget to serve as a contingency account. The savings from the unexpended portion of the appropriated reserves has been factored into the year-end shortfall of \$2,591,693.

BUDGETARY/FINANCIAL INFORMATION:

The recommended budget adjustments, if approved, would avoid the use of General Fund reserves through transfers from other funds. Those funds transferring monies to the General Fund would be impacted; however the reserves being transferred to the General Fund are in excess of what is currently required, and the reserves are appropriately allocable to the General Fund.

ATTACHMENTS: 1. Summary of Proposed Budget Adjustments
2. Summary of General Fund Revenues and Expenditures

SUBMITTED BY: Robert Samario, Interim Finance Director

APPROVED BY: City Administrator's Office

CITY OF SANTA BARBARA
Summary of Proposed Adjustments
Fiscal Year 2009

	<u>Estimated Revenues</u>	<u>Appropri.</u>	<u>Net</u>
GENERAL FUND			
Police Department			
Increase Appropriations Funded from Increased Revenues	149,798	149,798	-
Allocate Appropriations from Appropriated Reserves	-	72,661	(72,661)
Non-Departmental			
Allocate Appropriated Reserves to Police Dept.		(72,661)	72,661
Recognize Transfer of City Hall Allocation Fund	200,000	-	
Recognize Transfer from Street Sweeping Fund	200,000	-	
Recognize Transfer from Self-Insurance Fund	2,191,693	-	2,191,693
	<u>\$ 2,741,491</u>	<u>\$ 149,798</u>	<u>\$ 2,191,693</u>
SELF-INSURANCE FUND			
Recognize Transfers of W/C Reserves to General Fund	<u>\$ -</u>	<u>\$ 2,191,693</u>	<u>\$ (2,191,693)</u>
CITY HALL ALLOCATION FUND			
Recognize Transfer of Reserves to General Fund	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ (200,000)</u>
STREET SWEEPING FUND			
Recognize Transfer of Reserves to General Fund	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ (200,000)</u>

City of Santa Barbara
Summary of General Fund Revenues and Expenditures
Fiscal Year Ended June 30, 2009

Description	Revenues			Expenditures		
	Annual Budget	Actual	Variance	Annual Budget	Actual	Variance
Non-Departmental	\$ 82,114,122	\$ 77,255,270	\$ 4,858,852	\$ 3,819,865	\$ 3,088,508	\$ 731,357
Mayor & Council	-	-	-	857,792	808,082	49,710
City Attorney's Office	211,631	211,378	253	2,230,025	2,130,534	99,491
City Administrator's Office	253,128	232,535	20,593	2,324,004	2,147,045	176,958
Finance	865,930	851,573	14,357	5,239,090	4,909,797	329,294
Admin. Services	5,000	5,925	(925)	2,220,288	1,936,503	283,786
Comm. Development	5,634,734	5,768,185	(133,451)	11,496,500	10,765,630	730,870
Fire	4,015,015	4,244,066	(229,051)	21,271,213	20,663,823	607,391
Police	4,283,713	4,433,511	(149,798)	33,462,918	33,685,377	(222,459)
Public Works	4,938,131	5,112,019	(173,888)	7,234,204	6,745,728	488,476
Library	1,353,480	1,295,470	58,010	4,617,285	4,414,459	202,826
Parks & Recreation	4,547,417	4,474,769	72,649	16,055,940	15,180,909	875,031
	<u>\$ 108,222,301</u>	<u>\$ 103,884,701</u>	<u>\$ 4,337,600</u>	<u>\$ 110,829,125</u>	<u>\$ 106,476,394</u>	<u>\$ 4,352,730</u>

Final Results

Revenues	\$ 103,884,701
Expenditures	(106,476,394)
Net Deficit	<u>\$ (2,591,693)</u>